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COLORADO LENDING INC.

August 25, 2009

BEST IMAGE AVAILABLE

Jennifer J. Johnson
Secretary Board of Governors of the Federal Reserve System.
20^{th} Street & Constitution Avenue, N.W.
Washington, D.C. 20551

Re:
FEDERAL RESERVE SYSTEM
12 CFR Part 226
Regulation Z; Docket No. R-____
Truth in Lending
AGENCY: Board of Governors of the Federal Reserve System.
ACTION: Proposed rule; request for public comment.

Jennifer,

After review of the proposed rules mentioned above, I felt it was in the consumer's interest to provide you a brief note. It is clear that consumers need assistance in understanding their mortgage terms and to have the right data to shop for a loan that makes the most sense for them and their situation.

POSITIVE USES OF YSP

To address page 34 of the draft – namely "The Board solicits comment on an alternative that would allow loan originators to receive payments that are based on the principal loan amount, which is a common practice today. If a consumer directly pays the loan originator, the proposal would prohibit the loan originator from also receiving compensation from any other party in connection with that transaction. "

One of the greatest uses of YSP is to complete a FHA or VA "Streamline/IRRRL". The Mortgage Originator's Company makes their profit and covers all of the closing costs and prepaid items and lowers the interest rate of the client by using the Investor paid YSP. But there are various forms of YSP. The client may choose to finance an origination fee of 1% while the other costs are paid by YSP. In which case their rate may be slightly lower than someone who did a Full NO–COST loan. Also, there have been many times a client wants to purchase a home but can only come up with just enough for the down payment and a little of their costs, we may cut our origination fee to 0.5% and make 1.5% YSP. The YSP has been our saving grace in putting together many types of mortgage loans. By making us choose between either an origination fee charged to the client, or a rate based on YSP we are now no longer as flexible to be able to offer different options to clients. Also, there are times when a particular investor may be paying a YSP of .875% at say a 5.25% interest rate but in order to provide a 5.125% rate it will cost a client a discount point of .375%. I only see this alternative as detrimental to clients directly.

POSSIBLE SOLUTION OR ADDITIONAL ALTERNATIVE TO REVIEW

A potential solution to the YSP issues that I can see benefitting clients would be to set a limit on YSP of 3.00% maximum unless a "no-cost" type of mortgage is being done. In which case there can be another limit set for those. I never like to see a Client get hammered with excessive fees, and I see it most with new loan officers trying to make a lot of money on their one loan closing. There really is no reason in our profession that anyone needs to make more that 3% in YSP. And making even 3% is pretty rare. Typically a lender will pay out .5-1.5% YSP. For example: Wells Fargo's 30 year interest rate today is 5.25% (https://www.wellsfargo.com/mortgage/rates/) and as a Mortgage Broker I can offer through Provident Funding a rate of 4.875% (https://www.loansifter.com/PrimeSearch.aspx?searchid=gJdDuD7JZY%3d) making a YSP of 0.5%. If we begin to limit or restrict the way good mortgage brokers do their business, the consumers in the end will end up being held hostage by the Banking industry monopolizing mortgage lending and increasing rates. The mortgage brokers have always been able to offer very aggressive financing to clients due to our larger pool of investors.

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(Continued)

TRUTH-IN-LENDING DISCLOSURE ISSUE

Next subject-At this point in time consumers still really do not have an understanding of the current Truth-in-Lending disclosure that we provide, and it takes some time to explain it. Even after, it seems clients still do not really "get" it.

The Good Faith Estimate disclosure is the one document that seems pretty universally understood by all my clients. Mainly because it has the complete cost breakdown and the Note's interest rate for the loan.

Rather than convoluting the TIL any further I would suggest we find a better way to disclose to clients their loan terms over the life of the loan. We really need to completely reorganize and reorder the way the TIL is created and presented. I heard mention that including the YSP into the APR calculation may be an idea presented, but this really does not make any sense. As the Note rate has already accounted for the YSP.

As a consumer myself, someone who owns their home I believe the APR (Annual Percentage Rate) is helpful. However if there was a better, more universally understood way of explaining that form to a client then that would be a benefit. If you look at the definitions of APR in mortgage documents, it is quite confusing to the average person.

LENDING IS GETTING BETTER

The biggest issues I used to see that created problems for clients, were mortgage brokers and banks who promised they can offer a certain interest rate, and cost, then simply did not follow through with their promise. They increased the rates or costs at closing – what we called the almost criminal technique of "bait and switch". The Mortgage Disclosure Improvement Act seems to address that problem.

Overall lending in general has become quite universal. In addition Colorado requires licensing, bonding and carrying Errors and Omissions insurance for each originator. For the most part we all have the same programs and rates. Some cannot offer Government or Commercial loans and some can. So in my opinion and this is just a "Guy on the street" view:

We do not need all of these new disclosures and restrictions. We need to ENFORCE the current provisions, and make updates to existing forms to help consumers make the right choice.

I can be reached at my office at 303-771-4111 or by email at Rob@Coloradolending.com if you wish to discuss any of my views.

Thanks for taking the time to read this.

Respectfully,

Rob Burgan
Operations Manager
Colorado Lending Inc